

Fraud Investigations Report: City of Spokane and Washington State Health Care Authority

General

Code: C1SpokaneHCA-FD22
Name: Fraud Investigations Report: City of Spokane and Washington State Health Care Authority
Group: Pullman
Type: S1-Agency, Commission, or Board
Location: State
Scope: Not Applicable

Team

Lead: Tara Alfano
Manager: Alisha Shaw

Procedures

A.1.PRG - TeamMate Administration

Procedure Step: Audit Set Up
Prepared By: (None)
Reviewed By: AMS, 8/14/2023

Purpose/Conclusion.

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Purpose / Conclusion:

Set up TeamMate audit file in accordance with TeamMate Protocol.

Testing Strategy:

All of the following steps are required in order to properly set up the TM file except for the optional step to set up global tickmarks. If the budget is less than 100 hours, auditors may skip steps 4-6 (filling out the profile and sending to TC) until the end of the audit.

1. **Add the audit team to the project** - To do this, go to the Planning tab and select Team. Then select the team from the TeamStore by clicking the "get" button. [For confidential audits only \(IT, Medicaid, etc.\): Disable guest access.](#)
2. **Set Project Manager and Lead** - Select the Lead and Manager from the drop down menus in the Team Tab of the Profile. The "Lead" should be the Auditor-In-Charge of the audit, and the "Manager" should be the Assistant Audit Manager supervising the audit.
3. **Fill out initial information in the Profile** - The Project Profile captures general information about the audit for the TeamCentral database. Access the Profile from the Planning tab and populate as many of the required fields in the Profile as possible at this stage of the audit. A description for each required field can be found in the TeamMate Protocol document.
4. **Centralized Projects** - Go to <http://saoapp/TMDV/ViewProjectErrors.aspx> and enter the project code then "Validate" to check your project for errors.
5. **Resolve any TMDV errors** - The TeamMate Data Validation (TMDV) application performs a series of edit checks on data in your project to ensure accuracy and conformity to protocol. If TMDV identifies errors for your project, resolve the errors and send to central again (if distributed) until TMDV displays that there are no records to display.

Exceptions could indicate either errors in the TeamMate profile or issue data or errors in other SAO databases. If you have confirmed that information in TeamMate is correct, contact the TeamMate Administrative Group to initiate corrections to our other databases.

6. **Set up your favorite global tickmarks (optional)** - Global tickmarks are available throughout the audit file and do not change from workpaper to workpaper. You can access the global tickmarks screen from the Planning tab.

7. **Initialize Audit** – Attempt to sign off on this step, which will trigger a dialog box asking if you would like to initialize the audit. After initialization of the audit, you may continue to add users or global tickmarks, but cannot delete any.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

[TeamMate Protocol Document](#)

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Record of Work Done.:

1. Added the audit team to the project (all audits). As applicable, disabled guest access (confidential audits only).
2. Set the Project Manager and Lead
3. Filled out the audit profile
4. Checked Data Validation System for errors
5. Resolved all TMDV Errors
6. Set up my favorite global tickmarks, if needed
7. Initialized the audit file

A.1.PRG - TeamMate Administration

Procedure Step: Project Review & Finalize

Prepared By: (None)

Reviewed By: WFR, 11/28/2023

Purpose/Conclusion.:

Purpose/Conclusion:

To ensure that audit documentation complies with TeamMate Protocol, the audit file is ready for finalization and archiving, and that any files outside of TeamMate are completed and reviewed.

Testing Strategy.:

Replicas

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Ensure that all replicas are merged into the master file and discard any replicas that will never be merged.

Review of workpapers

Review workpapers to ensure they are completed and properly signed off. You can use the Procedure Status Viewer (for all procedure steps) or the Schedule Status Viewer (for procedure summaries and attachments) to see the status of steps and attachments in the audit file. *The Viewers can be accessed from the buttons on the Navigation Bar at the bottom of the screen.*

Coaching Notes

Verify that all coaching notes have been addressed and cleared. You can use the Coaching Notes Viewer to see the status of all Coaching Notes in the audit file. *The Coaching Note Viewer can be accessed by using the button on the Navigation Bar at the bottom of the screen.*

During the finalization process, coaching notes will be deleted. If you want to keep these notes you will need to create a report using the Reports wizard and save it outside of the TeamMate file.

Hardcopy Files and External Data

Ensure that hardcopy files referenced by the audit are completed and reviewed. Also ensure that any unnecessary documentation or files, including databases with any confidential or sensitive information, are appropriately disposed. If files or databases are needed for future periods, ensure these are appropriately secured. *See the SAO Administrative Policy on Data Security and Access.*

Project Profile

Review and update the Profile information. See the TeamMate Protocol document for definitions and instructions for each required field. *The Protocol document can be accessed from your Start Menu / All Programs / State Auditor's Office or on the Intranet on the TeamMate page.*

Confidential Audits Only

Disable guest user and any other users granted temporary file access.

Issue Review

Ensure issue content is exactly what was presented to the client per the Exit Document, Management Letter, or Finding. There should only be one issue for each finding, management letter item and exit comment. Additional information or notes about the issue can be documented in the "notes" tab. Any other documented issues (that were communicated verbally, at pre-exits or were later combined or dropped) should be either deleted or marked as "verbal recommendations."

Check that all required issue fields are completed and correct. See the TeamMate Protocol document for definitions and instructions for each required field. *The Protocol document can be accessed under Audit / TeamMate on the Intranet.*

Issue Sign-Off

All issues must be reviewed and signed off by a Supervisor and/or Audit Manager, per Protocol. The finalization process will require all issues to

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have a state of "reviewed."

Audit Status in Tracker

Update the Audit Status of prior audit management letters and findings in Tracker. See the [Tracker Quick Reference Guide](#) for details.

Resolve any TMDV errors - The TeamMate Data Validation (TMDV) application performs a series of edit checks on data in your project to ensure accuracy and conformity to protocol.

- Go to the Status and Milestones tab in the profile and change project status to "Post Fieldwork"
- Go to <http://saoapp/TMDV/ViewProjectErrors.aspx> and enter the project code then "Validate" to check your project for errors.
- If TMDV identifies errors for your project, resolve the errors and check web site until TMDV displays that there are no records to display.

Exceptions could indicate either errors in the TeamMate profile or issue data or errors in other SAO databases. If you have confirmed that information in TeamMate is correct, contact the **TeamMate Administrative Group** to initiate corrections to our other databases.

Change Project Status

Go to the Status and Milestones tab in the profile and change project status to "Post Fieldwork".

Enter the report issuance date in the "Issued (Final Report)" field. **REMINDER: DO *NOT* CHANGE THE STATUS OF THE PROJECT TO ISSUED.**

Complete/Finalize Project

After the audit report has been sent to OS the audit should be finalized by the Audit Manager. To do this, go to Review | Finalize. The finalization process will:

- Halt the process if any issues have not been reviewed;
- Warn the Audit Manager of unreviewed workpapers and/or steps;
- Check for uncleared coaching notes;
- Finalize the project, which prevents any further changes from being made to the file.

Note: if the project is finalized and the team subsequently needs to add or modify the documentation, contact the TeamMate Administrator for assistance.

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Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

TeamMate Protocol Document

Record of Work Done:

All of the following steps have been completed for this audit file:

- All outstanding replicas are merged.
- All workpapers have been reviewed.
- Coaching notes have been addressed and cleared.
- Hardcopy files have been completed and reviewed.
- Unnecessary files and databases have been appropriately disposed of, and any files or databases needed for future periods have been appropriately secured in accordance with SAO's administrative policy on Data Security and Access.
- The audit profile has been completed.
- As applicable, any guest/temporary user access has been disabled (confidential audits only).
- Issue content has been reviewed and required fields completed.
- All issues have been signed off as reviewed.
- The Audit Status of prior audit management letters and findings has been updated in Tracker.
- All TeamMate Data Validation errors are resolved.

The audit will now be finalized and be marked for archival.

Issues

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ISS.1 - Fraud Investigations Report: City of Spokane and Washington State Health Care Authority	
<p><i>Prepared By:</i> TAA, 11/15/2023</p> <p><i>Reviewed By:</i> AMS, 11/16/2023</p> <p><i>Type:</i> Fraud</p> <p><i>Category:</i> Payroll/Personnel</p> <p><i>Reporting Level(s):</i> Finding</p> <p><i>Impact</i></p> <p><i>Cost Savings:</i></p> <p><i>Questioned Costs:</i></p>	<p><i>Issue</i></p> <div>FRAUD INVESTIGATIONS REPORT</div> <h3>Background and Investigation Results</h3> <p>On October 3, 2022, and October 11, 2022, the City of Spokane and Washington State Health Care Authority (HCA), respectively, notified our Office regarding potential losses of public funds, as required by state law (RCW 43.09.185). In September 2022, the City and HCA discovered that a person was simultaneously employed full time at both agencies.</p> <p>The City investigated and determined it made questionable payroll disbursements totaling \$11,552 between August 1, 2022, and September 23, 2022. HCA also investigated and found no questionable payroll costs. However, HCA determined the employee violated its administrative policies for outside employment and personal conduct.</p> <p>We reviewed the City's and HCA's investigations and concluded that the amount of work the employee performed while employed full time at both agencies was questionable. However, we cannot quantify the extent of time loss for either agency, because we cannot confirm the amount of overlap in actual time worked. The investigations and our review found:</p> <ul style="list-style-type: none">On September 26, 2022, HCA contacted the City after learning the employee might be working at the City as a Procurement Specialist at the same time she was working for HCA. HCA informed the City that it had hired

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	<p>the employee as a Contract Specialist effective August 1, 2022.</p> <ul style="list-style-type: none">• The employee had worked for the City since 2015, and specifically as a Procurement Specialist since 2017. During the COVID-19 pandemic, the employee's workplace shifted to a hybrid environment, with some work in person and some work remote. HCA's Contract Specialist position was fully remote.• Between the start of her employment with HCA on August 1, 2022, and September 23, 2022, the employee reported 300 regular salary and leave hours with the City, and the City determined it paid \$11,552 in related payroll compensation. During the same period, she reported 340 regular salary hours and earned about \$11,737 in gross wages as HCA's Contract Specialist.• As the City's Procurement Specialist, she had a set work schedule from Monday through Thursday from 7 a.m. to 5 p.m. As HCA's Contract Specialist, she had a set work schedule of Monday through Friday from 8 a.m. to 5 p.m. between August 1, 2022, and August 15, 2022. This schedule shifted to Monday through Thursday from 6 a.m. to 4:30 p.m. between August 16, 2022, and September 23, 2022. Given the significant overlap in work schedules, the employee could not have performed full-time work for both the City and HCA during this time.• The employee's supervisors at HCA noted no significant gaps in online availability to indicate she was not working an appropriate amount of time on HCA-related duties.• The City's computer log-in records did not have enough information to confirm the amount of time she did or did not work.
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On September 26, 2022, HCA interviewed the Contract Specialist to ask if she was currently working for any employers other than HCA. She acknowledged that she was also employed by the City but said she had not produced work for the City since July 28, 2022, and was merely receiving vacation leave pay. Immediately following the interview, the employee resigned from her position at HCA, and she notified her supervisor at the City that she had been employed simultaneously by both employers. On September 27, 2022, the City placed her on administrative leave.

On October 14, 2022, the City notified the employee of a pre-disciplinary hearing scheduled for October 26, 2022. On that date, the City interviewed the employee, who acknowledged that she had been simultaneously employed by both entities. She was subsequently terminated from her City job.

Control Weaknesses

Internal controls at the City and HCA were inadequate for safeguarding public resources. The investigations found the following weaknesses allowed the questionable activity to occur:

- The City does not have established policies and procedures regarding outside employment.
- HCA relied on the employee to comply with its administrative policies and procedures regarding outside employment and did not validate information the employee represented regarding her employment with the City.
- The City and HCA relied on the employee to perform her assigned duties while working in-person and remotely.

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- The City lacks sufficient internal controls to verify employees are performing an adequate amount of work that aligns with their regular hours. Additionally, they did not have sufficient controls to ensure employees were not conducting non-work activity during their scheduled work hours.

Recommendations

We recommend the City consider establishing policies and procedures addressing requirements for outside employment. We also recommend the City and HCA monitor employees to ensure adequate safeguarding of public resources and compliance with their policies and procedures, as applicable.

Considerations for the City and HCA include continuing to:

- Improve their monitoring of employees' work activity to confirm they are performing an adequate amount of work in line with time reported
- Improve their monitoring of payroll to include proper supervision and establishing expectations that managers know what work employees should have performed to ensure they are not engaged in dual employment that conflicts with their work schedules
- Communicate and train staff on policies and procedures applicable to general ethics and conflicts of interest

We will refer this case to the Washington State Executive Ethics Board for any further action it determines is necessary.

City's Response

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	<p>Control Weaknesses</p> <ul style="list-style-type: none">• <i>The City's Human Resources Department will develop policies and procedures outlining guidelines with respect to outside employment.</i>• <i>The city will also institute non-compete agreements to ensure that employment out side of the city sphere does not conflict with employee(s) current employment with the city.</i>• <i>The City managers will establish employee job expectations and regularly verify work is being performed in accordance with those expectations. The City's Human Resource Department will enforce the existing Administrative Policy ADMIN 0620-06-11 Performance Evaluation and Eligibility for Step Increases which is the policy of the City to keep its employees apprised of their performance level by regular feedback. The city will develop policies and procedures surrounding alternative work schedules.</i>• <i>The City's Human Resources Department will develop a new and/or enforce current policies and procedures that will set expectations of employment with the City under a hybrid work environment. The policy will include an attestation form that the employee(s) and the City agree upon that details and the expectations that employees are not to be conducting non-work activity during their scheduled work hours.</i> <p>Recommendations</p> <ul style="list-style-type: none">• <i>The City's Human Resources Department will develop and or enforce existing policies that have monitoring methods that establish employee work expectations and requirements to perform regular accountability reviews.</i>
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- *The City's Human Resources Department will develop policies and procedures that will identify city employment expectations and will design attestation forms for the employee and employer to agree so expectations are explicit.*
- *The City's Human Resources Department will provide manager training that will include expectations of payroll review.*
- *The city will require annual training on ethics and conflicts of interest of all city employees and this will be administered by the Human Resources Department. The City's Human*

Resources Department will develop a training program that is traceable and includes a statement acknowledgment of understanding from all employees.

HCA's Response

The Health Care Authority (HCA) concurs that the employee was employed at HCA between August 1, 2022, and September 23, 2022, during which the employee was employed with and scheduled to work essentially identical hours for the City.

- *The HCA does not concur with the identified control weaknesses; specifically, the employee indicated they would be using accrued vacation leave but not working for the City after beginning work with HCA. The employee was provided HCA's Outside Employment Authorization policy and request form to report any additional compensated work on the employee's first day of work with HCA and did not report any additional outside employment. The HCA relied on the employee*

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	<p><i>to perform assigned duties and the employee's supervisor appropriately monitored the employee's training and productivity in the role, noting that the employee was a high performer with no unusual gaps in productive time or responsiveness while working remotely.</i></p> <ul style="list-style-type: none"><i>The HCA does not concur with the identified recommendations; specifically, the employee's supervisor provided an appropriate amount of oversight with the employee's work production and time and as noted, the employee was observed to have been a high performer and accomplished an appropriate amount of work while employed. The HCA ensures that new employees receive training on reporting outside employment, including what constitutes a conflict of interest, as well as state ethics rules and use of state time.</i> <p>Auditor's Remarks</p> <p>We reaffirm our control weaknesses described within this report and our conclusion that the employee's hours worked were questionable. We thank City and HCA officials and personnel for their assistance and cooperation during the investigation. We will follow up on the City's and HCA's internal controls during their next audits.</p>
NOTES	

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